

ADDITIONAL CIRCULATION

16 September 2020

**ABERDEEN
CITY AND
SHIRE**

*Strategic Development
Planning Authority*

To: Councillor Cox, Chairperson; Councillor Boulton, Vice Chairperson; and Councillors Councillor David Aitchison, Bell, Cooke, Graham, Grant, Johnston, Latham, Mair, Topping and Yuill.

Aberdeen City Council Substitute Members: Councillors Copland, Cormie, Macdonald, Mason, MSP and Reynolds and 1 Vacancy.

Aberdeenshire Council Substitute Members: Councillors Buchan, Forsyth, Leslie, Lonchay, Mollison and Reid.

Please note that a substitute member may only participate in the meeting when a substantive member is absent.

The undernoted items are circulated in connection with the meeting of the **STRATEGIC DEVELOPMENT PLANNING AUTHORITY** to be held by Virtual Meeting on **WEDNESDAY, 23 SEPTEMBER 2020 at 2.00 pm.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE
ABERDEEN CITY COUNCIL

BUSINESS

- 8 2019/20 Annual Audit Report - Report by the External Auditor (Pages 3 - 26)

Website Address: www.aberdeencityandshire-SDPA.gov.uk

Should you require any further information about this agenda, please contact Emma Robertson, emmrobertson@aberdeencity.gov.uk

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ABERDEEN CITY & SHIRE STRATEGIC DEVELOPMENT PLANNING AUTHORITY

Date: 23 September 2020

Report Title: 2019/20 Annual Audit Report

1. Purpose of Report

1.1 To provide the Authority with the external auditor's annual report in respect of the 2019/20 audit of Aberdeen City and Shire Strategic Development Planning Authority's annual accounts.

2. Background

2.1 The external auditor's audit plan for the 2019/20 financial year was considered by the Authority in June 2020. It set out the audit approach to providing an opinion on the Authority's financial statements which included:

- understanding the business of Aberdeen City and Shire Strategic Development Planning Authority and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

2.2 The report includes the significant matters arising from the audit of the annual accounts. The report also brings together the auditor's key messages from wider scope audit work undertaken in accordance with the auditor's Annual Audit Plan and Audit Scotland's Code of Audit Practice.

3. Recommendation

3.1 It is recommended that the Authority consider and note the Auditor's Annual Audit Report.

Report prepared by:
Anne MacDonald
Senior Audit Manager,
Audit Scotland
15 September 2020

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14 September 2020

**Aberdeen City and Shire
Strategic Development Planning Authority
Woodhill House
Westburn Road
AB16 5GB**

Dear Board members

Aberdeen City and Shire Strategic Development Planning Authority Audit of 2019/20 annual accounts

Independent auditor's report

1. Other than the matters set out at paragraph 9 below, our audit work on the 2019/20 annual accounts is now substantially complete. We anticipate being able to issue unmodified audit opinions in the independent auditor's report on 23 September 2020.
2. The proposed independent auditor's report is attached at [Appendix A](#).

Annual Audit Report

3. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Board's consideration our draft annual report on the 2019/20 audit.
4. The report also sets out conclusions from our consideration of the wider scope audit dimensions as they apply to small bodies. Our Code of Audit Practice provides more detail on the wider scope of public audit framework.
5. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

6. We also report to those charged with governance all unadjusted misstatements identified during our audit, other than those of a trivial nature (ie less than £145), and request that these misstatements be corrected. We have no unadjusted misstatements to draw to your attention.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Board, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Treasurer

8. As part of the completion of our audit, we are seeking written representations from the Treasurer on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding matters

10. The following audit work is ongoing but scheduled to be concluded by 23 September 2020:
 - Auditing standards require us to undertake a subsequent event review to identify any issues arising between the balance sheet date and the date the accounts are approved for signature by the authority which may have an impact on the financial statements. Final work in this area will be concluded in advance of the authority's meeting on 23 September 2020.

Yours faithfully

Anne MacDonald
Senior Audit Manager

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Aberdeen City and Shire Strategic Development Planning Authority and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Aberdeen City and Shire Strategic Development Planning Authority for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Authority as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Authority. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Treasurer and Authority for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Authority is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Anne MacDonald CA
Senior Audit Manager
Audit Scotland
The Annexe
Woodhill House
Westburn Road
Aberdeen
AB16 5GB

23 September 2020

APPENDIX B: Letter of Representation (ISA 580) - to be reproduced on client's letterhead

23 September 2020

Anne MacDonald
Senior Audit Manager
Audit Scotland
the Annexe
Woodhill House
Westburn Road
Aberdeen
AB16 5GB

Dear Anne

Aberdeen City and Shire Strategic Development Planning Authority Annual Accounts 2019/20

1. This representation letter is provided about your audit of the annual accounts of Aberdeen City and Shire Strategic Development Planning Authority (the SDPA) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Officer Strategic Place Planning (Aberdeen City Council), the Head of Planning (Aberdeenshire Council) and the authority board, the following representations given to you in connection with your audit of the SDPA for the year ended 31 March 2020.

General

3. The SDPA and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the SDPA have been recorded in the accounting records and are properly reflected in the financial statements.
4. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the authority at 31 March 2020 and the transactions for 2019/20.

Accounting Policies and Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the SDPA's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the SDPA's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate.
10. Due to the changes introduced by the Planning (Scotland) Act 2019, it is the board's intention to wind up with authority. The 2019/20 will be the authority's final set of accounts.

Assets and Liabilities

11. For the year ended 31 March 2020, the authority did not own or mortgage any properties and did not hold any non-current assets. At 31 March 2020, the authority had no obligations under finance leases.
12. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
13. There are no material liabilities requiring a provision to be recognised in the financial statements for liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met.
14. There are no known contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. There are no outstanding legal claims.

Fraud

15. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements

- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

16. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

17. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the authority's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

18. The Remuneration Report has been prepared in accordance with the 2014 Regulations and all required information of which I am aware has been provided to you.

Management commentary

19. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

20. I confirm that the authority has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
21. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. Other than the proposals to wind up the authority, there are no changes in the corporate governance arrangements or issues identified since 31 March 2020 which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

22. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Alan Wood
Treasurer, Aberdeen City and Shire SDPA

Aberdeen City and Shire Strategic Development Planning Authority

2019/20 Annual Audit Report



 AUDIT SCOTLAND

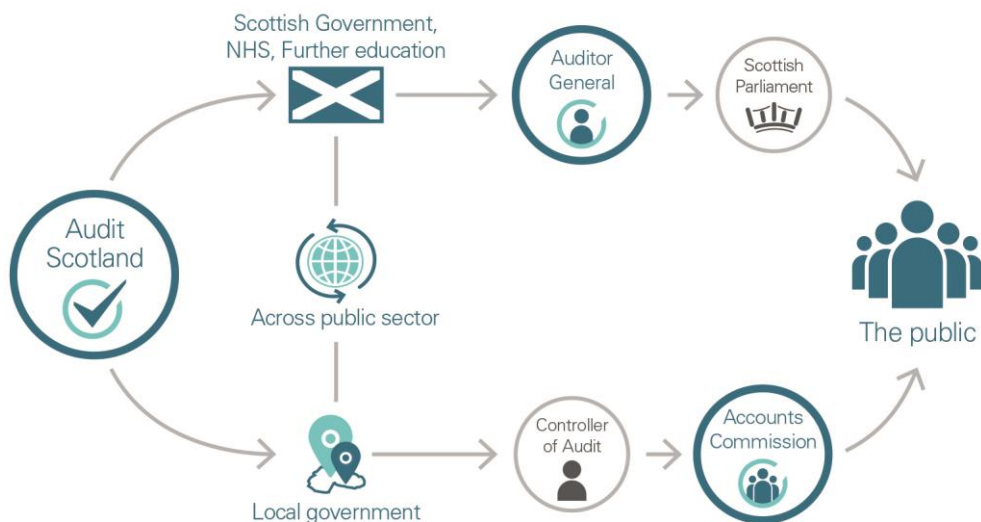
Prepared for the Members of Aberdeen City and Shire Strategic Development Planning Authority

September 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual accounts

- 1** The financial statements of Aberdeen City and Shire Strategic Development Planning Authority (the authority) give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** Our audit opinions on the authority's annual accounts are unmodified.
- 3** In response to Covid-19, the Scottish Government extended the deadline for the conclusion of audited annual accounts. Finance officers however delivered the unaudited accounts by the normal statutory date which enabled the audit to progress largely as originally planned.

Governance, transparency and financial sustainability

- 4** The authority had appropriate governance arrangements in place during the year and conducted its business in an open and transparent manner.
- 5** Financial stability was maintained through the continued commitment from partner authorities.
- 6** The requirement to produce a strategic development plan has been removed. The authority's responsibilities, as set out in its Minute of Agreement, are no longer relevant as a result of the Planning (Scotland) Act 2019. Subject to board approval, the authority is to be wound up and the 2019/20 annual accounts will be the authority's final set of accounts.

Introduction

1. This report summarises the findings arising from the 2019/20 audit of Aberdeen City and Shire Strategic Development Planning Authority (the authority).
2. The scope of the audit was set out in our 2019/20 Annual Audit Plan which was presented to the board on 26 June 2020. In accordance with Audit Scotland's [Code of Audit Practice 2016](#) (the Code), we explained at that time that the small body provisions apply to the authority. Our plan also highlighted that it may no longer be necessary for the authority to produce annual accounts as a result of the changes introduced by the Planning (Scotland) Act 2019. The main elements of the 2019/20 audit therefore included:
 - assurances to support our independent opinions on the annual accounts
 - consideration of the appropriateness of the disclosures in the annual governance statement
 - a review of the authority's financial sustainability.

Adding value through the audit

3. We add value to the authority through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of financial sustainability, governance and transparency and best value.

Responsibilities and reporting

4. The authority has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The authority is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
5. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on the authority's Best Value arrangements is focused on the body's use of resources to secure financial sustainability and the effectiveness of its governance arrangements.
6. As public sector auditors, we give independent opinions on the annual accounts. Additionally, where the small body provisions of the Code apply, we conclude on the disclosures in the annual governance statement and the body's financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). and supplementary guidance.

7. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor independence

8. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £2,960 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

9. This report is addressed to both the authority and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

The financial statements of Aberdeen City and Shire Strategic Development Planning Authority give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Our audit opinions on the authority's annual accounts are unmodified.

In response to Covid-19, the Scottish Government extended the deadline for the conclusion of audited annual accounts. Finance officers however delivered the unaudited accounts by the normal statutory date which enabled the audit to progress largely as originally planned.

The annual accounts are the principal means of reporting financial performance and demonstrating stewardship of resources.

Our audit opinions on the annual accounts are unmodified

10. The authority's annual accounts for the year ended 31 March 2020 will be considered for approval by the board on 23 September 2020. We reported, within our independent auditor's report that, in our opinion the:

- financial statements give a true and fair view and were properly prepared
- audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

11. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, or the information and explanations we received.

Submission of the annual accounts for audit

12. In response to the Covid-19 pandemic, the Scottish Government extended the deadline for certification of audited accounts from 30 September to 30 November 2020. Staff were however able to deliver the unaudited annual accounts by the usual deadline of 30 June 2020. Although we experienced some loss of audit staff productivity due to remote working in this period, the audit has largely been concluded in line with the original timetable set out in our 2019/20 Annual Audit Plan.

13. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Risk of material misstatement

14. [Appendix 1](#) provides a description of those assessed risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

15. We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan.

Overall materiality is £2,900

16. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

17. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively. On receipt of the unaudited annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

Exhibit 1 Materiality values

Materiality level	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 2% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts.	£2,900
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 75% of planning materiality.	£2,175
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£145

Source: Audit Scotland, Annual Audit Plan 2019/20

We have no significant findings to report on the accounts

18. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report from the audit of the 2019/20 annual accounts.

19. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance, taking into account advice from senior officers and materiality. There are no uncorrected misstatements in the authority's financial statements.

Management commentary, annual governance statement and remuneration report

20. The Code of Practice on Local Authority Accounting in the United Kingdom requires local government bodies to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.

21. Based on our knowledge and work performed, we concluded that the content of the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

Part 2

Governance, transparency and financial sustainability



Main judgements

The authority had appropriate governance arrangements in place and conducted its business in an open and transparent manner.

Financial stability was maintained through the continued commitment from partner councils.

The requirement to produce a strategic development plan has been removed. The authority's responsibilities, as set out in its Minute of Agreement, are no longer relevant as a result of the Planning (Scotland) Act 2019 and consequently, we recommended that steps be taken to remove the need to produce accounts. Subject to board approval, the authority will be wound up and the 2019/20 annual accounts will be the authority's final set of accounts.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information. Financial sustainability looks forward to consider whether the authority is planning effectively to continue to deliver its services or the way in which they should be delivered.

Governance arrangements

22. The authority was designated under the Planning etc (Scotland) Act 2006 and required Aberdeen City and Aberdeenshire Councils to jointly prepare, and keep under review, a strategic development plan for the strategic development plan area.

23. The authority has 12 members, six each from Aberdeen City and Aberdeenshire Councils. It was scheduled to meet on four occasions during 2019/20 but met on three. We review minutes and periodically observe meetings for a greater insight into proceedings.

Internal controls

24. On an annual basis, the authority is required to review its system of internal control prior to its approval of the annual governance statement. In practice, the authority uses the financial systems of Aberdeenshire Council and therefore draws assurance from the council's chief internal auditor's review of the council's systems.

25. As part of our audit, we identify and inspect the key internal controls in those accounting systems which we regard as significant to the production of the financial statements. As outlined above, the authority relies on the financial systems of Aberdeenshire Council. In accordance with ISA 402: Audit considerations relating to an entity using a service organisation; we obtained assurances from the external auditor of Aberdeenshire Council as part of our

planned audit approach. We are satisfied there were no significant weaknesses in the systems of internal control which would have a material impact on the authority.

Internal audit

26. The authority's internal auditor is Aberdeenshire Council's chief internal auditor. In respect of 2019/20, he concluded that reasonable assurance could be taken from the financial controls the authority has in place based on his programme of work on council systems.

27. As external auditors for the council, we concluded that internal audit operated in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation, standards and reporting procedures in place.

Financial management

28. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

29. As auditors, we consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the Treasurer has sufficient status to be able to deliver good financial management
- financial regulations and standing orders are comprehensive, current and promoted within the authority
- budget monitoring reports are accurate and provided regularly to budget holders.

30. Overall, financial management is considered to be satisfactory, with appropriate monitoring reports being regularly scrutinised at meetings of the authority.

Transparency

31. Transparency means that the general public have access to understandable, relevant and timely information about how the authority is taking decisions and how it is using resources such as money, people and assets.

32. There is evidence from several sources which demonstrate the authority's commitment to transparency:

- members of the public can attend meetings of the authority
- minutes and agenda papers are readily available on the authority's website
- the website allows public access to a wide range of information about business activities including plans and monitoring reports
- the authority makes its annual accounts available on its website.

33. Overall, we concluded that the authority conducts its business in an open and transparent manner.

Financial performance in 2019/20

34. The authority set its 2019/20 budget in February 2019 on the basis that constituent councils agreed to maintain funding at the same level as previous years. Expenditure levels have been relatively stable each year at approximately £150,000. The financial outturn for the year was in line with the approved budget.

35. The authority submitted a new Strategic Development Plan to the Scottish Government for approval in April 2019, the formal examination process was undertaken between June 2019 and January 2020 and the plan was approved in August 2020.

36. As set out in our Annual Audit Plan, the requirement to produce a strategic development plan has been removed as a result of the Planning (Scotland) Act 2019. The 2020 Strategic Development Plan is therefore the authority's final Strategic Development Plan. The new legislation introduced a revised National Planning Framework including the development of a regional spatial strategy.

37. Staff costs had formed the majority of the authority's expenditure. It did not directly employ any staff but operated with the secondment of staff from partner councils. In response to the new legislation and changing responsibilities, staff secondments to the authority were concluded during 2019/20. With the removal of staff costs, there was no need to agree a budget for 2020/21 as any residual costs were considered minimal and could be absorbed by the partners. As the authority's responsibilities, as set out in its Minute of Agreement, were no longer relevant, proposals were developed to wind up the authority.

38. The authority does not hold any property. At 31 March 2020, the authority has a debtor balance due from Aberdeen City Council which is matched by a credit balance due to Aberdeenshire Council. Arrangements to clear these balances will be put in place as part of the proposed winding up process.

39. The Scottish Government has yet to issue further guidance which is expected to clarify the requirements for regional spatial strategies. At that point, partner councils will approve and implement appropriate governance arrangements to support the development of a strategy for the north east of Scotland. Subject to board approval, the authority will be wound up and the 2019/20 annual accounts will be the authority's final set of accounts. In view of the changing circumstances, we had encouraged the Treasurer to find a solution which would remove the need to produce accounts. We are supportive of the proposed approach as it provides good use of resources.

Appendix 1

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Focused testing of accruals and prepayments • Evaluation of significant transactions that were outside the normal course of business. 	<p>Conclusion: Satisfactory</p>
<p>2 Miscoding of transactions</p> <p>The authority's transactions are recorded through Aberdeenshire Council's ledger as the partner which provides the authority's financial services. If robust or adequate processes are not in place, there is a risk that expenditure may be inaccurate or miscoded and the authority's accounts are misstated.</p>	<ul style="list-style-type: none"> • Review of expenditure streams and verification of a sample of expenditure • Regular/robust budget monitoring. 	<p>Conclusion: Satisfactory</p>

Aberdeen City and Shire Strategic Development Planning Authority

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